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STATE FOR EAP/ANP
OSD FOR LIZ PHU
PACOM FOR ADMIRAL FALLON

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TAGS: PREL MNUC NZ

SUBJECT: PACOM VISIT TO NEW ZEALAND

REF: 06 WELLINGTON 0041

Classified By: DCM David R. Burnett; Reason 1.4 (A and D)

¶1. (C) Summary: Admiral Fallon's January 20-21 visit to New Zealand came at a time of media interest in the bilateral relationship, sparked by a TV mini-series on the ANZUS breakup and public release of former Prime Minister David Lange's private papers (reftel). The Admiral met with Prime Minister Clark, Defense Minister Goff and Opposition Leader Don Brash, as well as with Chief of Defense Forces Bruce Ferguson and other Defence Force (NZDF) officials. He also toured the Devonport Naval Base and the First New Zealand Special Air Services Group. He and Prime Minister Clark talked with local media after their meeting. The meetings and media coverage of the visit focused welcome attention on the importance to New Zealand of its defense relationship with the United States and the need to think strategically about future cooperation. In his public remarks, Admiral Fallon gave no ground on the nuclear issue, but made clear the extent to which the United States was willing to work with New Zealand on issues of common interest in spite of that long-standing dispute. He urged New Zealanders to "challenge some of the perceptions we all take as bedrock," in the light of all the changes that have taken place in the world since the mid-1980s. End Summary.

¶2. (C) Admiral Fallon's January 20-21 visit to New Zealand could not have been timed better. The summer holiday season, a TV mini-series on the ANZUS breakup, and release of former Prime Minister David Lange's private papers (reftel) created an appetite for public discussion of the U.S.-NZ relationship. The visit was hosted by outgoing Chief of Defence Forces Bruce Ferguson, who is due to retire in April. Perhaps because of his lame-duck status, Ferguson was much less guarded in his comments than he has been in the past. He was particularly critical of the Labour Government's unwillingness to think creatively about how to restore the trust and credibility New Zealand has lost by Labour's handling of the anti-nuclear dispute. He confirmed that new Defence Minister Phil Goff had been briefed on the negative impact on the NZDF of the anti-nuclear legislation and the U.S. Presidential Directive limiting U.S.-NZ military cooperation, noting in particular increasing difficulty in working with an Australian military that was regularly training and exercising with U.S. forces. Ferguson was also critical of the National Party's unwillingness to address directly the need to resolve the anti-nuclear dispute as a long-term national security issue.

13. (C) Defense Minister Phil Goff kicked off the political-level meetings, welcoming the Admiral, stressing the importance of the bilateral defense relationship and pointing to New Zealand's contributions to the War on Terror, including NZDF deployments to Afghanistan and support for the Proliferation Security Initiative (PSI). Admiral Fallon expressed U.S. appreciation for those contributions, noting that the NZDF's Provincial Reconstruction Team in Bamiyan provided a good general model for future PRTs and its SAS contingent had worked extremely well with U.S. counterparts. Goff said the Cabinet would decide by the end of February whether to extend the PRT beyond September 2006; he did not comment on further SAS deployments. Goff noted Senator McCain's comment that New Zealand should think about replicating its success in Bamiyan by heading a PRT in Iraq. The Minister said he told McCain that New Zealand was not averse to doing so once the security situation had stabilized. (Comment: Embassy believes the Bamiyan PRT will be extended even though such a relatively large deployment stretches the NZDF's increasingly limited human resources. Without it, New Zealand's small, scattered military contributions elsewhere would not be enough to maintain the NZDF's access, influence and reputation. If New Zealand were to engage in Iraq, it would most certainly have to disengage in Afghanistan. End Comment.)

14. (C) The Admiral said he saw potential to do more with New Zealand in a rapidly changing region. He urged Goff to look at how we could move forward, adding that, in his opinion, Washington was willing to do so, but needed to see signs that Wellington recognizes the extent to which the world has changed since the mid-1980s. Admiral Fallon underscored the importance of trust in bilateral relationships, and called on the GNZ to think of ways to rebuild the trust lost over the nuclear issue over the past two decades. He went on to outline a number of areas of mutual concern. We both need to encourage China to contribute to the world's stability and to work toward a cooperative, rather than competitive future, he said. The U.S. was engaging the Chinese at all levels, including military-to-military contacts. Another area to watch was Russia's continued backsliding under President Putin. Admiral Fallon also lauded New Zealand's efforts to shore up non-functional island states, adding that Kiwis are better attuned to those states than is the U.S. and clearly has an important role to play.

15. (C) The Minister agreed that the Chinese "charm offensive" in the region had potentially destabilizing effects, especially on some of the less stable island states. New Zealand was doing what it could, with Australia and other partners, to build governance capacity and ensure long-term stability in the South Pacific. However, money spent on education, job creation, investment promotion or health care did not seem to have the same appeal to island state governments as "big ticket" Chinese-funded projects like sports facilities. He said the GNZ used every opportunity to engage the Chinese on this and other issues, and pointed to the large number of Chinese delegations, military and otherwise, that New Zealand had hosted over the past year. He also discussed New Zealand's views on the East Asia Summit process and disappointment over China's efforts to sandbag the EAS in favor of the ASEAN 3.

16. (C) On the nuclear issue, Goff said New Zealand's position was two-fold. The country has no need for nuclear power and is concerned over the long-term problems associated with the nuclear power industry. While the Government understands the science and relative risks of nuclear power, New Zealand depends heavily on its image as "clean, green and non-nuclear." He said two-thirds of New Zealanders don't want nuclear-powered vessels in New Zealand waters. The second issue is U.S. bullying. There is a widespread perception among New Zealanders that the U.S. wants to send nuclear-propelled vessels to New Zealand and is constantly pressing the Government to make that happen. The Admiral explained that the U.S. Navy has no operational need to send any kind of ships to New Zealand. Indeed, the only reason

for doing so would be to exercise with the New Zealand Navy, at its request. He asked Goff what the GNZ might do to dispel some of the myths that had grown up around the dispute over the past 20 years. Goff said the whole issue had become a political "third rail" which even the opposition National Party would not touch. The Charge pointed out that, while the U.S. Government has done its best to address the bully myth directly and objectively, as soon as we show any success, someone stirs it up again for domestic political purposes. The problem is clearly one of New Zealand's own making and only New Zealand could begin to resolve it.

¶7. (C) Admiral Fallon and Charge then met briefly with Goff and Prime Minister Helen Clark, prior to a larger meeting with the Prime Minister and her staff. Clark began by apologizing for the inadvertent release to the media of a highly sensitive intelligence document in former PM Lange's private papers. She explained that neither the National Archives nor Cabinet staff had followed prescribed oversight procedures and said her Government had moved quickly to remove the document from public scrutiny. The Prime Minister stressed several times that there was no political motive behind the release of the document at a time when President Bush was facing considerable domestic pressure over NSA activities, and was clearly concerned that the White House might believe there was. She underscored the importance to New Zealand of continued intelligence cooperation both as an area where New Zealand could make a modest contribution and as a means of enhancing New Zealand's understanding of rapidly evolving events in the region.

¶8. (C) The PM noted that this was why the intelligence relationship had survived the dispute over New Zealand's anti-nuclear legislation relatively intact. She then gave a brief overview of where New Zealand is on the nuclear issue, consistent with the points made by Goff. Admiral Fallon responded by noting how much the world has changed since the legislation had been enacted. He explained that the U.S. Government had periodically looked at its policy response to the legislation to see if it were still relevant, and continued to believe that it was, though minor modifications had been made, such as the restoration of high-level political contacts. He said that while no one expected New Zealand to return to ANZUS, there was significant scope for a broader, deeper strategic relationship between the U.S. and New Zealand if we could find a way to move beyond the current impasse over the anti-nuclear legislation. He repeated the comment he had made to Minister Goff that Washington was waiting for a sign from New Zealand acknowledging how much the world has changed since the mid-1980s. The Prime Minister fell back on the political "third rail" argument. Charge pointed out again that it was a third rail of the Government's own making and whenever the USG tried to reduce the sensitivity of the issue in New Zealand, something always seemed to happen to stir it up again. The PM replied with an embarrassed laugh, "Yes, like our election campaign."

¶9. (C) Staff from both sides then joined in, with Minister Goff excusing himself to attend a funeral. The Prime Minister welcomed Admiral Fallon, and repeated Minister Goff's assessment of the importance of the bilateral defense relationship to New Zealand. She noted that, despite the disparity in size and technology between our forces, New Zealand could still add value to the relationship, especially in the South Pacific. The Admiral thanked the PM for New Zealand's contributions to the War on Terror and to regional stability, especially through its work in the Pacific Islands Forum. Clark then gave a brief overview of New Zealand's views on regional security architecture, noting the multiplication of regional fora. The PM said this was not necessarily a bad thing. Noting that China and Japan were both present and polite to one another at the East Asia Summit and the APEC Summit, in spite of rising public tensions between the two, Clark opined that this was perhaps the real utility of having such meetings. The Prime Minister said she had told her Chinese counterpart that China's preference for limiting regional security debate to the ASEAN 3 was foolish in New Zealand's view, but said she

expected Chinese attempts to manipulate or weaken the EAS would likely continue unabated. She said New Zealand was increasingly concerned about "unofficial" Chinese activity in the region, such as rising Chinese criminal activity in Papua New Guinea, worrying that the perpetrators might have links with some in the Chinese Government.

¶10. (C) PM Clark agreed with Admiral Fallon that recent Russian activity in East Asia had not been helpful. She said Russia's pressure on Ukraine over natural gas pricing had raised fears in the region that Russia would "play the energy card" similarly with China and Japan. In response to the Admiral's query on New Zealand's priorities in the South Pacific going forward, the PM said her Government was doing some strategic thinking on the contribution of primary and secondary education to economic and political stability in the Pacific Island States. She expected that New Zealand would increase its funding of scholarships and other educational support over the next few years, though she ruefully admitted that such spending did not have the immediate impact on current governments that a Chinese-funded sports stadium might have. Still, said Clark, the long-term benefits of educational ties and the potential impact on employment for island youth made the investment worthwhile.

¶11. (C) Admiral Fallon and Prime Minister Clark then adjourned to a stand-up meeting with the media, where they were immediately asked if the nuclear issue had been discussed. Clark said it had, but the subject had not dominated the talks. She said there would not be a U.S. ship visit "anytime soon" but said that did not keep the U.S. and New Zealand from working together on "many, many other things." Admiral Fallon acknowledged that the nuclear dispute had been around for a long time, but said the world was changing rapidly despite our desire to have things the way they have been in the past. He said we all have a different view of security than we might have had back in the 1980s, adding that "the willingness to be open to discussion, to ...challenge some of the perceptions we all take as bedrock, might be in our best interests." Asked if he was indicating a softening of the U.S. attitude toward New Zealand's nuclear-free stance, the Admiral replied "This isn't about softening or hardening," and said the purpose of his visit was to get to know the leadership of New Zealand. The Admiral stressed the importance of mutual trust in relationships, playing successfully on a theme raised in former Ambassador Swindells' farewell speech, Ambassador McCormick's initial press conference, and a spate of recent editorials on the need for New Zealand to address the "trust issue" stemming from New Zealand's handling of the nuclear issue from the mid-1980s onward.

¶12. (C) Later that afternoon, Admiral Fallon and Charge met with National Party leader Don Brash to get his views on the issues discussed with Goff and Clark. Brash conceded that the National Party had not done enough to address the nuclear issue, but said there was little point in doing anything that would just be undone by the next Labour Government that came along. However, National was willing to engage in creative thinking on how to address U.S. concerns over the legislation and had formed a "ginger group" consisting of key political operative Murray McCully and former diplomats Tim Groser and John Hayes to work on how to enhance the bilateral relationship. Brash was eager to have Emboffs meet with them for further discussion. Charge said he had had a good meeting with McCully just prior to the summer holidays, and would meet with all three MPs later in January. Admiral Fallon welcomed Brash's openness to discussing the nuclear issue and its negative impact on the larger relationship. He said Washington was looking for signs that New Zealand was serious about closer ties and a more strategic approach to the relationship. Anything National could do to encourage such signs would be welcomed. Brash said he was planning a trip to Washington in April, and hoped he would be able to meet appropriate Administration officials.

¶13. (C) Comment: Admiral Fallon's visit added impetus to the ongoing public debate in New Zealand about what it should do

to move from an ad hoc to a strategic relationship with the United States. His comments on trust and on the need to rethink cherished views have played well in the media. They will no doubt increase public pressure on the Labour Government to give Washington some sign that it is serious about taking the relationship forward and addressing the underlying policy and trust problems that have limited the relationship for the past two decades. While neither Clark nor Goff gave any hint of creative thinking on the nuclear issue, they must deal with a Foreign Minister who has declared that a closer relationship with Australia and the U.S. are his top priorities, and a strong opposition party who is of the same view. Editorial comment on the "pointed exclusion" of Foreign Minister Winston Peters from the Admiral's schedule (we suspect the Minister would have been included if he had really wanted to be) has added to pressure on the Prime Minister to show publicly that she understands the importance of the U.S.-NZ relationship. We will do our best to take advantage of that.

¶14. (U) Admiral Fallon has cleared this message.

McCormick